

Bank Notes

A Newsletter for Michigan Lenders

July 12, 2007

Issue 146

Patriot Express

As detailed in Bank Notes issue 145, SBA's new Patriot Express Loan Initiative is now available to help us support the credit needs of veterans who are in business or who aspire to open a business. The launch of this initiative has received a great deal of favorable publicity across the country. Every SBA participating lender should have received instructions from the Sacramento Loan Processing Center on the process of qualifying to participate in this program. A Supplemental Loan Guarantee Agreement for the SBA Patriot Express Loan Initiative needs to be signed. For further information on becoming a Patriot Express lender, please contact the Center's Sally Schimmel at sally.schimmel@sba.gov.

We would encourage all SBA lenders to participate in this program. Moreover, in the spirit of Patriot Express, we would also suggest that you consider providing veterans with preferential pricing terms on SBA guaranteed loans. For example, you could reduce or even waive the guaranty fee on all Patriot Express loans or just those below a certain dollar threshold. This would not only be a good marketing tool, but also a way to reward people who have served our country as they return to your community.

As of July 11th, nine Michigan District Office lenders had been approved for Patriot Express:

Charter One
CIT Small Business Lending
Citizens First Savings Bank
Commercial Bank
Huron Community Bank
Mercantile Bank
National City
Portage Commerce Bank
Thumb National Bank & Trust

3rd Quarter Loan Activity Report

The loan program activity for the first nine months of FY 2007 for the Michigan District Office is shown below. As you can see, the number of 7(a) loans this year is slightly less than last year. This is a dramatic change from our SBA-best increase over the previous five years. What you can't see from this data is that the number of 7(a) loans has dropped dramatically over the past three months. At the end of March we were 10% ahead of last year's pace! With your help, we hope that our activity increases in the 4th quarter so that we can avoid our first down year since 2001.

On the other hand, loan activity in our 504 program has been down all year, and it is almost certain that our string of consecutive annual 504 records will end at five years.

Loans to businesses owned by veterans and women are listed below to call your attention to two areas where we continue to need your help. We greatly appreciate your continuing support of SBA's guaranty loan programs.

	FY 2006	FY 2007	Increase
7(a) Loans	2,536	2,478	-2%
504 Loans	189	151	-20%
7(a) Dollars	\$305,414,000	\$288,392,000	-6%
504 Dollars	\$93,250,000	\$81,405,000	-13%
Loans to Veterans	152	106	-30%
Loans to Women	444	458	3%

U.S. Small Business Administration

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Publication of Final Notice on SBA Lender Risk Rating System

On May 16, 2007 SBA published in the Federal Register (pages 27611-27620) a final notice implementing the SBA's Risk Rating System as an internal tool to assist SBA in assessing the risk of each active 7(a) Lender's and Certified Development Company's (CDC's) SBA loan operations and loan portfolio. The Risk Rating System will enable SBA to monitor "SBA Lenders" on a uniform basis and identify those institutions whose SBA loan operations and portfolio require additional SBA monitoring or other action.

It is also a vehicle for assessing the aggregate strength of SBA's 7(a) and 504 portfolios. Under the Risk Rating System, SBA will assign each SBA Lender a composite rating based on certain portfolio performance factors, which may be overridden in some cases due to SBA lender specific factors that may be indicative of a higher or lower level of risk. SBA lenders will have access to their own ratings through SBA's Lender Portal.

This notice was effective June 15, 2007. For further information contact Byran Hooper, Director, Office of Lender Oversight at (202) 205-3049.

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Publication of Final Rule for Lender Examination and Review Fees

On May 4, 2007 SBA published in the Federal Register (pages 25189-25194) a final rule implementing a recent amendment to the Small Business Act authorizing the SBA to assess fees to lenders participating in SBA's 7(a) loan guarantee program to cover the costs of examinations, reviews, and other lender oversight activities. The rule describes the methodology for fee assessment as well as the billing and payment processes.

The final rule was effective June 4, 2007. For further information please contact Byran Hooper, Director, Office of Lender Oversight at (202) 205-3049.

Improved Guaranty Purchase Process

As part of the SBA's customer outreach program, the National Guaranty Purchase Center (NGPC) has realigned the guaranty purchase process to provide more streamlined processing for lenders who submit complete and orderly purchase packages.

To assist SBA lending partners in preparing complete and orderly purchase packages the NGPC has developed the following:

- a. NGPC's Web site, www.sba.gov/banking/ngpc, has an extensive section dedicated to the guaranty purchase process.
- b. A narrated 128 slide PowerPoint tutorial, which thoroughly explains how to develop a complete purchase package, is offered in the guaranty purchase section of the Web site under "View Presentation." Go to www.sba.gov/banking/ngpc/guaranty.html
- c. Revised tab pages (tabs). The new tabs along with a current Checklist (also available on the Web site) provide guidance on developing a complete and orderly purchase package according to the unique requirements set forth in the loan authorization for each loan.

To expedite the guaranty funding process, lenders will be required to execute the revised tab page in any purchase request package received by the NGPC after August 1, 2007.

The NGPC held ReadyTalk training conference calls with SBA field offices and lenders in May and June 2007 to explain these improvements and the assistance available to lenders on the NGPC Web site. There is also a recorded training session available on the NGPC Web site which explains the use of the new tabs.

The NGPC is also available to provide training to lenders through a ReadyTalk session. Please contact your local district office or the NGPC at (703) 487-9374 if you have questions about the required documentation or to request training.



Lenders Supporting the 504 Loan Program

For the first nine months of FY 2007, under the 504 Loan Program we have approved 151 loans worth \$81.4 million. These loans have been supported by 56 different third party lenders. These are the lenders which supported six or more 504 loans:

Lender	# of Loans
Fifth Third Bank	16
Chase	14
Zions First National Bank	8
Citizens Bank	7
Comerica	7
Capitol Bancorp	6
Macatawa Bank	6

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings, and equipment. With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender, and 40% from the Certified Development Company (CDC). The CDC portion is provided by 100% SBA guaranteed debentures. Recently, the fixed rate on the 20 year debenture was about 6.3%.

For more information, please contact one of the CDCs listed in the next column. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

2008 Michigan SBA Lenders' Conference

Mark your Calendar! SBA's 10th Annual Michigan SBA Lenders' Conference will be held March 20, 2008 at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

The much anticipated SBA's Lender awards will be presented during lunch.

If you have any suggestions for this conference, please do not hesitate to call Richard Temkin or Ken Kolasa at (313) 226-6075.

Michigan Certified Development Companies

Economic Development Foundation-Certified

Grand Rapids, (888) 330-1776

Lakeshore 504 - South Office

Holland, (616) 392-9633

Lakeshore 504 - North Office

Grand Haven, (616) 846-3153

Metropolitan Growth and Development Corporation

Detroit, (313) 224-0820

Michigan Certified Development Corporation

Lansing, (517) 886-6612

Oakland County Business Finance Corporation

Pontiac, (248) 858-0879

SEM Resource Capital

Livonia, (734) 464-4418

SEM Resource Capital

Grand Rapids, (616) 242-5153